

TOWN OF OBERLIN, LOUISIANA

Financial Report

Year Ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

The Honorable Joseph Manuel, Mayor
and Members of the Board of Aldermen
Town of Oberlin, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oberlin, Louisiana, (the Town), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oberlin, Louisiana, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules, the schedule of employer's share of net pension liability, and the schedule of employer contributions on pages 43 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Town of Oberlin, Louisiana, has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this omitted information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Oberlin, Louisiana's basic financial statements. The comparative statements and various schedules included in other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The comparative statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the comparative statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The prior year comparative information reported on the comparative statements has been derived from the Town of Oberlin, Louisiana's 2018 financial statements, which was subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, were fairly presented in all material respects in relation to the basic financial statements from which they were derived.

The various schedules included in other supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2019, on our consideration of the Town of Oberlin, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Oberlin, Louisiana
December 30, 2019

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

TOWN OF OBERLIN, LOUISIANA

Statement of Net Position
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and interest-bearing deposits	\$ 146,347	\$ 31,393	\$ 177,740
Receivables, net	45,003	99,967	144,970
Due from other governmental units	40,875	43,667	84,542
Total current assets	<u>232,225</u>	<u>175,027</u>	<u>407,252</u>
Noncurrent assets:			
Restricted assets:			
Cash and interest-bearing deposits	-	224,602	224,602
Cash with paying agent	-	2,530,522	2,530,522
Total restricted assets	-	2,755,124	2,755,124
Capital assets, net	667,456	8,109,107	8,776,563
Total noncurrent assets	<u>667,456</u>	<u>10,864,231</u>	<u>11,531,687</u>
Total assets	<u>899,681</u>	<u>11,039,258</u>	<u>11,938,939</u>
Deferred outflows of resources	<u>47,795</u>	<u>-</u>	<u>47,795</u>
LIABILITIES			
Current liabilities:			
Accounts and other payables	73,503	56,400	129,903
Accrued compensated absences	8,213	4,508	12,721
Contracts and retainage payable	-	688,027	688,027
Accrued interest payable	-	40,770	40,770
Bond anticipation notes	-	3,804,000	3,804,000
Revenue bonds payable	-	46,634	46,634
Total current liabilities	<u>81,716</u>	<u>4,640,339</u>	<u>4,722,055</u>
Noncurrent liabilities:			
Customer deposits payable	-	89,052	89,052
Revenue bonds payable	-	2,001,279	2,001,279
Net pension liability	133,439	-	133,439
Total noncurrent liabilities	<u>133,439</u>	<u>2,090,331</u>	<u>2,223,770</u>
Total liabilities	<u>215,155</u>	<u>6,730,670</u>	<u>6,945,825</u>
Deferred inflows of resources	<u>21,200</u>	<u>-</u>	<u>21,200</u>
NET POSITION			
Net investment in capital assets	667,456	4,882,213	5,549,669
Restricted	91,137	-	91,137
Unrestricted	(47,472)	(573,625)	(621,097)
Total net position	<u>\$ 711,121</u>	<u>\$ 4,308,588</u>	<u>\$ 5,019,709</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF OBERLIN, LOUISIANA

Statement of Activities
For the Year Ended June 30, 2019

Activities	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 237,594	\$ 76,021	\$ 10,000	\$ -	\$(151,573)	\$ -	\$ (151,573)
Public safety:							
Police	342,295	15,460	-	-	(326,835)	-	(326,835)
Highways and streets	280,834	-	270	-	(280,564)	-	(280,564)
Total governmental activities	860,723	91,481	10,270	-	(758,972)	-	(758,972)
Business-type activities:							
Gas Fund	12,388	17,666	-	-	-	5,278	5,278
Water Fund	420,740	420,218	-	16,964	-	16,442	16,442
Sewer Fund	402,925	307,118	-	600,994	-	505,187	505,187
Total business-type activities	836,053	745,002	-	617,958	-	526,907	526,907
Total	\$ 1,696,776	\$ 836,483	\$ 10,270	\$ 617,958	(758,972)	526,907	(232,065)
General revenues:							
Taxes -							
Property taxes, levied for general purposes					21,718	-	21,718
Sales and use taxes, levied for general purposes					191,537	-	191,537
Franchise taxes					78,552	-	78,552
Grants and contributions not restricted to specific programs -							
State sources					158,898	-	158,898
Interest and investment earnings					189	623	812
Non-employer pension contribution					3,115	-	3,115
Miscellaneous					21,236	-	21,236
Special item - gain on disposal					-	10,230	10,230
Transfers					235,071	(235,071)	-
Total general revenues and transfers					710,316	(224,218)	486,098
Change in net position					(48,656)	302,689	254,033
Net position - July 1, 2018					759,777	4,005,899	4,765,676
Net position - June 30, 2019					\$ 711,121	\$ 4,308,588	\$ 5,019,709

The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENTS (FFS)

MAJOR FUND DESCRIPTIONS

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Sales Tax Fund

To account for the receipt and use of proceeds of the Town's 1% sales and use tax approved by the voters on September 16, 1978. These taxes are dedicated and used for the purposes of constructing, acquiring, extending, improving and/or maintaining sewers and sewerage disposal works, operating water-works, streets, recreational facilities and fire protection facilities and equipment, and purchasing and acquiring the necessary land, equipment and furnishings for any of the aforesaid public works, improvements and facilities, or for any one or more said purposes. The Town is authorized to fund the proceeds of the tax into bonds to be issued in series from time to time for improving and/or acquiring any one or more of the aforesaid capital improvements to the extent and in the manner permitted by the laws of Louisiana.

To account for the receipt and use of proceeds of the Town's .3% sales and use tax approved by the voters on October 7, 1989. These taxes are dedicated and used for the purposes of constructing, improving, maintaining, and operating public streets, sidewalks, and alleys, and for acquiring, constructing, improving, maintaining and operating recreational facilities. The Town is further authorized to fund the proceeds of the tax into bonds to be issued in series from time to time for any capital purpose described above, to the extent and in the manner provided by the laws of Louisiana.

Enterprise Funds

Water Fund

To account for the provision of water services to residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Sewer Fund

To account for the provision of sewerage services to residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

TOWN OF OBERLIN, LOUISIANA

Balance Sheet - Governmental Funds
June 30, 2019

	General	Sales Tax	Other Governmental	Total
ASSETS				
Cash and interest-bearing deposits	\$ 74,991	\$ 61,921	\$ 9,435	\$ 146,347
Receivables -				
Taxes	-	29,216	-	29,216
Other	15,787	-	-	15,787
Due from other governmental units	40,875	-	-	40,875
Total assets	<u>\$ 131,653</u>	<u>\$ 91,137</u>	<u>\$ 9,435</u>	<u>\$ 232,225</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 57,453	\$ -	\$ -	\$ 57,453
Accrued liabilities	16,050	-	-	16,050
Total liabilities	<u>73,503</u>	<u>-</u>	<u>-</u>	<u>73,503</u>
Fund balances:				
Restricted - sales tax dedications	-	91,137	-	91,137
Committed	-	-	9,435	9,435
Unassigned	58,150	-	-	58,150
Total fund balances	<u>58,150</u>	<u>91,137</u>	<u>9,435</u>	<u>158,722</u>
Total liabilities and fund balance	<u>\$ 131,653</u>	<u>\$ 91,137</u>	<u>\$ 9,435</u>	<u>\$ 232,225</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF OBERLIN, LOUISIANA

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019

Total fund balances for governmental funds at June 30, 2019 \$ 158,722

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land and construction in progress	255,309	
Buildings and improvements, net of \$197,981 accumulated depreciation	29,626	
Infrastructure, net of \$578,572 accumulated depreciation	357,012	
Equipment, furniture, and fixtures, net of \$323,089 accumulated depreciation	22,151	
Vehicles, net of \$154,755 accumulated depreciation	<u>3,358</u>	667,456

Deferred outflows of resources related to net pension liability 47,795

Some liabilities are not due and payable from current financial resources and are, therefore not reported in the funds. These liabilities consist of the following:

Compensated absences	(8,213)	
Net pension liability	<u>(133,439)</u>	(141,652)

Deferred inflows of resources related to net pension liability (21,200)

Total net position of governmental activities at June 30, 2019 \$ 711,121

The accompanying notes are an integral part of the basic financial statements

TOWN OF OBERLIN, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2019

	General	Sales Tax Fund	Other Governmental	Total
Revenues:				
Taxes	\$ 100,270	\$ 191,537	\$ -	\$ 291,807
Licenses and permits	73,251	-	-	73,251
Intergovernmental	183,758	-	-	183,758
Fines and forfeits	15,460	-	-	15,460
Miscellaneous	9,534	108	33	9,675
Total revenues	<u>382,273</u>	<u>191,645</u>	<u>33</u>	<u>573,951</u>
Expenditures:				
Current -				
General government	226,447	4,391	-	230,838
Public safety:				
Police	356,715	-	-	356,715
Highways and streets	246,363	-	-	246,363
Capital outlay	20,493	-	-	20,493
Total expenditures	<u>850,018</u>	<u>4,391</u>	<u>-</u>	<u>854,409</u>
Excess (deficiency) of revenues over expenditures	<u>(467,745)</u>	<u>187,254</u>	<u>33</u>	<u>(280,458)</u>
Other financing sources (uses):				
Transfers in	917,716	-	1	917,717
Transfers out	(458,404)	(224,242)	-	(682,646)
Total other financing sources (uses)	<u>459,312</u>	<u>(224,242)</u>	<u>1</u>	<u>235,071</u>
Net change in fund balances	(8,433)	(36,988)	34	(45,387)
Fund balances, beginning	<u>66,583</u>	<u>128,125</u>	<u>9,401</u>	<u>204,109</u>
Fund balances, ending	<u>\$ 58,150</u>	<u>\$ 91,137</u>	<u>\$ 9,435</u>	<u>\$ 158,722</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF OBERLIN, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2019

Total net changes in fund balances at June 30, 2019 per the statement of revenues, expenditures and changes in fund balances			\$ (45,387)
The change in net position reported for governmental activities in the statement if activities is different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Capital purchases which are considered as expenditures on the statement of revenues, expenditures, and changes in fund balances	\$ 20,493		
Depreciation expense for the year ended June 30, 2019	<u>(46,814)</u>	(26,321)	
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.			
Net pension liability	24,286		
Compensated absences	<u>(1,234)</u>	<u>23,052</u>	
Total changes in net position at June 30, 2019 per statement of activities			<u>\$ (48,656)</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF OBERLIN, LOUISIANA

Statement of Net Position
 Proprietary Funds
 Business-Type Activities - Enterprise Funds
 June 30, 2019

	Water Fund	Sewer Fund	Other Enterprise Fund	Total
ASSETS				
Current assets:				
Cash and interest bearing deposits	\$ 14,803	\$ 5,714	\$ 10,876	\$ 31,393
Receivables -				
Accounts	56,598	43,369	-	99,967
Grant	1,622	42,045	-	43,667
Total current assets	<u>73,023</u>	<u>91,128</u>	<u>10,876</u>	<u>175,027</u>
Noncurrent assets:				
Restricted assets -				
Interest-bearing deposits	77,987	135,267	11,348	224,602
Cash with paying agent	2,530,522	-	-	2,530,522
Total restricted assets	<u>2,608,509</u>	<u>135,267</u>	<u>11,348</u>	<u>2,755,124</u>
Capital assets, net of accumulated depreciation	4,458,755	3,650,352	-	8,109,107
Total noncurrent assets	<u>7,067,264</u>	<u>3,785,619</u>	<u>11,348</u>	<u>10,864,231</u>
Total assets	<u>7,140,287</u>	<u>3,876,747</u>	<u>22,224</u>	<u>11,039,258</u>
LIABILITIES				
Current liabilities (payable from current assets):				
Accounts and other payables	10,546	42,594	3,260	56,400
Accrued interest payable	40,274	496	-	40,770
Contracts payable	580,477	-	-	580,477
Retainage payable	79,505	28,045	-	107,550
Accrued compensated absences	4,508	-	-	4,508
Total	<u>715,310</u>	<u>71,135</u>	<u>3,260</u>	<u>789,705</u>
Current liabilities (payable from restricted assets):				
Customer deposits payable	77,808	-	11,244	89,052
Bond anticipation notes	3,804,000	-	-	3,804,000
Revenue bonds payable	-	46,634	-	46,634
Total	<u>3,881,808</u>	<u>46,634</u>	<u>11,244</u>	<u>3,939,686</u>
Total current liabilities	<u>4,597,118</u>	<u>117,769</u>	<u>14,504</u>	<u>4,729,391</u>
Noncurrent liabilities:				
Revenue bonds payable	-	2,001,279	-	2,001,279
Total liabilities	<u>4,597,118</u>	<u>2,119,048</u>	<u>14,504</u>	<u>6,730,670</u>
NET POSITION				
Net investment in capital assets	3,145,003	1,737,210	-	4,882,213
Unrestricted	(601,834)	20,489	7,720	(573,625)
Total net position	<u>\$ 2,543,169</u>	<u>\$ 1,757,699</u>	<u>\$ 7,720</u>	<u>\$ 4,308,588</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF OBERLIN, LOUISIANA

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds

Business-Type Activities - Enterprise Funds

For the Year Ended June 30, 2019

	Water Fund	Sewer Fund	Other Enterprise Fund	Total Enterprise Funds
Operating revenues:				
Charges for services	\$ 412,713	\$ 306,218	\$ 17,666	\$ 736,597
Miscellaneous	<u>7,505</u>	<u>900</u>	<u>-</u>	<u>8,405</u>
Total operating revenues	<u>420,218</u>	<u>307,118</u>	<u>17,666</u>	<u>745,002</u>
Operating expenses:				
Advertising - notices	1,450	2,833	455	4,738
Depreciation	133,575	155,088	574	289,237
Equipment rental	1,691	-	-	1,691
Gas purchases	-	-	4,385	4,385
Gas and oil	-	718	-	718
Insurance	25,294	2,216	2,129	29,639
Materials and supplies	45,968	52,806	93	98,867
Miscellaneous	6,899	5,885	-	12,784
Salaries	78,602	-	2,610	81,212
Payroll taxes	5,783	-	345	6,128
Professional services	22,415	43,359	1,356	67,130
Repairs and maintenance	8,855	19,838	-	28,693
Utilities	<u>49,934</u>	<u>28,824</u>	<u>441</u>	<u>79,199</u>
Total operating expenses	<u>380,466</u>	<u>311,567</u>	<u>12,388</u>	<u>704,421</u>
Total operating income (loss)	<u>39,752</u>	<u>(4,449)</u>	<u>5,278</u>	<u>40,581</u>
Nonoperating revenues (expenses):				
Gain on sale of assets	-	-	10,230	10,230
Interest income	220	125	278	623
Interest expense	<u>(40,274)</u>	<u>(91,358)</u>	<u>-</u>	<u>(131,632)</u>
Total nonoperating revenues (expense)	<u>(40,054)</u>	<u>(91,233)</u>	<u>10,508</u>	<u>(120,779)</u>
Income (loss) before contributions and transfers	(302)	(95,682)	15,786	(80,198)
Capital contributions	<u>16,964</u>	<u>600,994</u>	<u>-</u>	<u>617,958</u>
Income (loss) before transfers	16,662	505,312	15,786	537,760
Transfers in (out)	<u>(155,430)</u>	<u>(26,133)</u>	<u>(53,508)</u>	<u>(235,071)</u>
Change in net position	(138,768)	479,179	(37,722)	302,689
Net position, beginning	<u>2,681,937</u>	<u>1,278,520</u>	<u>45,442</u>	<u>4,005,899</u>
Net position, ending	<u>\$2,543,169</u>	<u>\$1,757,699</u>	<u>\$ 7,720</u>	<u>\$4,308,588</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF OBERLIN, LOUISIANA

Statement of Cash Flows
Proprietary Funds
Business-Type Activities - Enterprise Funds
For the Year Ended June 30, 2019

	Water Fund	Sewer Fund	Other Enterprise Fund	Total
Cash flows from operating activities:				
Receipts from customers	\$ 415,799	\$ 307,561	\$ 39,636	\$ 762,996
Payments to suppliers	501,765	(98,038)	(14,222)	389,505
Payments to employees	(83,367)	-	(5,507)	(88,874)
Other receipts	<u>7,505</u>	<u>900</u>	<u>-</u>	<u>8,405</u>
Net cash provided by operating activities	<u>841,702</u>	<u>210,423</u>	<u>19,907</u>	<u>1,072,032</u>
Cash flows from noncapital financing activities:				
Transfers from (to) other funds	<u>(155,430)</u>	<u>(26,133)</u>	<u>(53,508)</u>	<u>(235,071)</u>
Cash flows from capital and related financing activities:				
Net proceeds from (principal paid) on revenue bonds payable	1,273,478	(44,607)	-	1,228,871
Interest paid on revenue bonds	-	(91,633)	-	(91,633)
Capital contributions	16,836	559,959	-	576,795
Net change in customer meter deposits	(1,725)	-	(19,125)	(20,850)
Net sale (purchase) of capital assets	<u>(1,964,470)</u>	<u>(570,994)</u>	<u>37,148</u>	<u>(2,498,316)</u>
Net cash provided (used) by capital and related financing activities	<u>(675,881)</u>	<u>(147,275)</u>	<u>18,023</u>	<u>(805,133)</u>
Cash flows from investing activities:				
Net maturities (purchases) of interest-bearing deposits with a maturity in excess of ninety days	(169)	-	24,921	24,752
Interest received on interest-bearing deposits	<u>220</u>	<u>125</u>	<u>278</u>	<u>623</u>
Net cash provided by investing activities	<u>51</u>	<u>125</u>	<u>25,199</u>	<u>25,375</u>
Net increase (decrease) in cash and cash equivalents	10,442	37,140	9,621	57,203
Cash and cash equivalents, beginning of period	<u>44,629</u>	<u>103,841</u>	<u>12,603</u>	<u>161,073</u>
Cash and cash equivalents, end of period	<u>\$ 55,071</u>	<u>\$ 140,981</u>	<u>\$ 22,224</u>	<u>\$ 218,276</u>

(continued)

TOWN OF OBERLIN, LOUISIANA

Statement of Cash Flows (Continued)
 Proprietary Funds
 Business-Type Activities - Enterprise Funds
 For the Year Ended June 30, 2019

	Water Fund	Sewer Fund	Other Enterprise Fund	Total
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 39,752	\$ (4,449)	\$ 5,278	\$ 40,581
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	133,575	155,088	574	289,237
Changes in current assets and liabilities:				
Decrease in accounts receivable	3,644	1,817	22,959	28,420
Decrease in provision for uncollectible accounts	(558)	(474)	(989)	(2,021)
Increase (decrease) in accounts payable	664,271	58,441	(5,363)	717,349
Increase (decrease) in accrued liabilities	1,018	-	(2,552)	(1,534)
Net cash provided by operating activities	<u>\$ 841,702</u>	<u>\$ 210,423</u>	<u>\$ 19,907</u>	<u>\$ 1,072,032</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:				
Cash and cash equivalents, beginning of period -				
Cash - unrestricted	\$ 2,646	\$ 3,099	\$ 7,155	\$ 12,900
Cash - restricted	79,533	100,742	30,369	210,644
Less: Certificates of deposit with a maturity over three months when purchased	<u>(37,550)</u>	<u>-</u>	<u>(24,921)</u>	<u>(62,471)</u>
Total cash and cash equivalents	<u>44,629</u>	<u>103,841</u>	<u>12,603</u>	<u>161,073</u>
Cash and cash equivalents, end of period -				
Cash - unrestricted	14,803	5,714	10,876	31,393
Cash - restricted	77,987	135,267	11,348	224,602
Less: Certificates of deposit with a maturity over three months when purchased	<u>(37,719)</u>	<u>-</u>	<u>-</u>	<u>(37,719)</u>
Total cash and cash equivalents	<u>55,071</u>	<u>140,981</u>	<u>22,224</u>	<u>218,276</u>
Net increase (decrease)	<u>\$ 10,442</u>	<u>\$ 37,140</u>	<u>\$ 9,621</u>	<u>\$ 57,203</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF OBERLIN, LOUISIANA

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Town of Oberlin, Louisiana (Town) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

The Town of Oberlin was incorporated under the provisions of the Lawrason Act. The Town operates under the Mayor-Board of Aldermen form of government.

As the municipal governing authority, for reporting purposes, the Town of Oberlin is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (b) organizations for which the primary government is financially accountable, (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, and (d) organizations that are closely related to, or financially integrated with the primary government.

Section 2100 of the 2011 Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, "Defining the Financial Reporting Entity" establishes criteria for determining which entities should be considered a component unit and, as such, part of the reporting entity for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the primary government's governing authority (Mayor and Board of Aldermen) appoints a majority of board members of the potential component unit and is able to impose its will on the potential component unit or whether the potential component unit is fiscally dependent on the primary government.
3. Financial benefit/burden relationship between the primary government and the potential component unit.
4. The nature and significance of the relationship between the potential component unit with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading.

TOWN OF OBERLIN, LOUISIANA

Notes to Basic Financial Statements (Continued)

The Town of Oberlin, Louisiana is a primary government and has no component units. The accompanying financial statements present information only on the funds maintained by the Town and do not present information on any other governmental unit.

Based on the foregoing criteria, a certain governmental body is a related organization but is not a part of the Town and is thus excluded from the accompanying financial statements. That organization is the Oberlin Housing Authority. Although the Town does appoint its Board, no control is exercised over its operations.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The government-wide financial statements provide operational accountability information for the Town as an economic unit. The government-wide financial statements report the Town's ability to maintain service levels and continue to meet its obligations as they come due. The statements include all governmental activities and all business-type activities of the primary government.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of goods and services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The accounts of the Town are organized on the basis of funds, each of which is considered to be an independent fiscal and accounting entity. The operations of each fund are accounted for within separate sets of self-balancing accounts, which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance/net position, revenues, and expenditures/expenses, and transfers. The minimum number of funds is maintained consistent with legal and managerial requirements. Fund financial statements report detailed information about the Town. The various funds of the Town are classified into two categories: governmental and proprietary. The emphasis on fund financial statements is on major funds, each displayed in a separate column.

TOWN OF OBERLIN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Major funds are determined as funds whose revenues, expenditures/expenses, assets and deferred outflows of resources or liabilities and deferred inflows of resources are at least ten percent of the totals for all governmental or enterprise funds and at least five percent of the aggregate amount for all governmental and enterprise funds for the same item or funds designated as major at the discretion of the Town. A fund is also considered major if it is the primary operating fund of the Town. Funds not classified as a major fund are aggregated and presented in a single column in the fund financial statements. The Town uses the following funds, grouped by fund type.

Governmental Funds –

Governmental Funds are those through which most governmental functions of the Town are financed. The acquisition, use, and balances of the Town's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

General Fund

The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenues Funds are used to account for the proceeds of government grants or other specific revenues sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects of the Town. The Town's major special revenue fund is the Sales Tax Fund

The Sales Tax Fund is used to account for the proceeds of a 1% sales and use tax and a 0.3% sales and use tax that are legally restricted to expenditures for specific purposes.

The Town's nonmajor special revenue fund is the Cemetery Fund which is used to account for the monies received from sale of burial spaces. The cost of improvements to the cemetery grounds are also accounted for in this fund.

Proprietary Funds –

Proprietary funds are used to account for the Town's ongoing operations and activities which are similar to those often found in the private sector where the intent is that costs of providing goods and services be recovered through user charges. The proprietary funds maintained by the Town are enterprise funds.

TOWN OF OBERLIN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Enterprise Funds

Enterprise funds are proprietary funds that are used to report activities for which a fee is charged to external users. These funds account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town's major enterprise funds are the Water Utility Fund and the Sewer Utility Fund. The Town's nonmajor enterprise fund is the Gas Utility Fund.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The measurement focus determines the accounting and financial reporting treatment applied to a fund. The governmental and business-type activities within the government-wide statement of net position and statement of activities are presented using the economic resources measurement focus. The economic resources measurement focus meets the accounting objectives of determining net income, net position, and cash flows.

The fund financial statements use either the current financial resources measurement focus or the economic resources measurement focus as appropriate. Governmental funds use the current financial resources measurement focus. The measurement focus is based upon the receipt and disbursement of current available financial resources rather than upon net income. The measurement focus of the proprietary fund types, the flow of economic resources, is based upon determination of net income, net position and cash flows.

The accrual basis of accounting is used throughout the government-wide statements; conversely, the financial statements of the governmental funds have been prepared in accordance with the modified accrual basis of accounting, whereby revenues are recognized when considered both measurable and available to finance expenditures of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. An exception to this is grants collected on a reimbursement basis. Those reimbursable grants are recognized as revenue when reimbursable expenditures are made. The Town considers reimbursement amounts received within one year as available. The Town accrues intergovernmental revenue, ad valorem and sales tax revenue, franchise fees, charges for services, and investment income based upon this concept. Expenditures generally are recognized when the related fund liabilities are incurred and become payable in the current period. Proceeds of debt are reported as other financing sources, and principal and interest on long-term debt, as well as expenditure related to compensated absences and claims and judgments, are recorded as expenditures when paid.

TOWN OF OBERLIN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Interest on invested funds is recognized when earned. Intergovernmental revenues that are reimbursement for specific purposes or projects are recognized in the period in which the expenditures are recorded. All other revenue items are considered to be measurable and available only when cash is received by the Town. Transfers between governmental funds are recorded when the related liability is incurred. These transfers do not represent revenues (expenditures) to the Town and are, therefore, reported as other financing sources (uses) in the governmental fund financial statements.

Since the fund level statements are presented using a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each fund level statement that summarizes the adjustments necessary to convert the fund level statements into the government-wide presentations. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The financial statements of the enterprise funds have been prepared in accordance with the accrual basis of accounting. Accordingly, revenues are recorded when earned, and expenses and related liabilities are recorded when incurred.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Equity

Cash and interest-bearing deposits

For purposes of the statement of net position, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposits of the Town. Under state law, the Town may invest in United States bonds, treasury notes, or certificates. Investments are stated at amortized cost.

For the purpose of the proprietary fund statement of cash flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit with an original maturity of three months or less when purchased.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes, ad valorem taxes and amounts due from other governmental units. Business-type activities report customer's utility service receivables as their major receivables. Uncollectible amounts due for customer's utility receivables are recognized as bad debts through the establishment of an allowance for uncollectible accounts at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance for uncollectible accounts at June 30, 2019 was \$106 and \$101 for the Water Utility and Sewer Utility Funds, respectively. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month, were \$18,409 and \$12,875 for the Water Utility and Sewer Utility Funds, respectively, at year end.

TOWN OF OBERLIN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans are reported as "advances to and from other funds." Interfund receivables and payables, advances to and from other funds, as well as due to and from other funds are eliminated in the statement of net position.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at acquisition value at the date of donation. The Town maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Prior to July 1, 2001, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	10-50 years
Equipment and furniture	3-40 years
Sewerage plant and improvements	20-66 years
Infrastructure	25-50 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental funds upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Restricted assets include cash and interest-bearing deposits of the proprietary funds that are legally restricted as to their use. The restricted assets in the utility funds are related to the utility meter deposits and revenue bond accounts.

TOWN OF OBERLIN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Long-term debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of revenue bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. For government-wide and fund reporting, issuance costs, even if withheld from the actual net proceeds received, are reported as expenditures in the year of issuance. The accounting for proprietary fund long-term debt is the same in the fund financial statements as it is in the government-wide statements.

Compensated Absences

Sick leave is earned by employees after being fully employed for three months, with a limit of ten days per year. Vacation leave is accumulated as follows:

1 year	5 days
2-10 years	10 days
10-20 years	15 days
Over 20 years	20 days

Forty days of sick leave may be carried over to a subsequent year, but vacation is not accumulative. Upon termination of employment, for the convenience of the town, permanent, full-time employees with six months to one year of service are to be paid for one week's base salary. Permanent, full-time employees with one year or more of continuous service will receive full payment for accrued vacation and two week's base salary. Any employee who quits, resigns, or is otherwise dismissed for reasons such as misconduct or inefficiency, will not receive severance pay.

At June 30, 2019, employees of the Town have accumulated and vested \$12,721 compensated absence benefits. The estimated liabilities include required salary-related payments.

Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

TOWN OF OBERLIN, LOUISIANA

Notes to Basic Financial Statements (Continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Equity Classifications

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position consists of net position with constraints placed on the use either by external groups, such as creditors, grantors, and contributors, laws or regulations of other governments; or law through constitutional provisions or enabling legislation. At June 30, 2019, the Town reported \$128,125 of restricted net position, all of which was restricted by enabling legislation. It is the Town's policy to use restricted net position prior to the use of unrestricted net position when both restricted and unrestricted net position are available for an expense which has been incurred.
- c. Unrestricted net position consists of all other assets, deferred outflows of resources, liabilities and deferred inflows of resources that do not meet the definition of "restricted" or "net investment in capital assets."

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily upon the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The categories and their purposes are:

- a. Nonspendable includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual constraints requiring they maintain intact.
- b. Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, grantors, contributors or amounts constrained due to constitutional provisions or enabling legislation or the laws or regulations of other governments.

TOWN OF OBERLIN, LOUISIANA

Notes to Basic Financial Statements (Continued)

- c. Committed includes fund balance amounts that can be used only for specific purposes that are internally imposed by the Town through formal legislative action of the Board of Aldermen and does not lapse at year end. A committed fund balance constraint can only be established, modified or rescinded by passage of an Ordinance (Law) by the Board of Aldermen.
- d. Assigned includes fund balance amounts that are constrained by the Town's intent to be used for specific purposes, that are neither restricted nor committed. The assignment of fund balance is authorized by a directive from the Town Clerk and approval of a Resolution by the Board of Aldermen.
- e. Unassigned includes fund balance amounts which have not been classified within the above-mentioned categories.

It is the Town's policy to use restricted amounts first when both restricted and unrestricted fund balance is available unless prohibited by legal or contractual provisions. Additionally, the Town uses committed, assigned, and lastly unassigned amounts of fund balance in that order when expenditures are made.

Proprietary fund equity is classified the same as in the government-wide statements.

E. Revenues, Expenditures, and Expenses

Revenues

The Town considers revenue to be susceptible to accrual in the governmental funds as it becomes measurable and available, as defined under the modified accrual basis of accounting. The Town generally defines the availability period for revenue recognition as received within sixty (60) days of year end. The Town's major revenue sources that meet this availability criterion are intergovernmental revenues, franchise fees, tax revenue, and charges for services.

There are three classifications of programmatic revenues for the Town, program specific grant and contribution revenue (operating and capital) and charges for services. Grant revenues are revenues from federal, state, and private grants. These revenues are recognized when all applicable eligibility requirements are met and are reported as intergovernmental revenues. Charges for services are revenues derived directly from the program itself or from parties outside the Town's taxpayers or citizenry, as a whole. Programs revenues reduce the cost of the function to be financed from the Town's general revenues. The primary sources of program revenue are fees, fines, and charges paid by recipients of goods or services, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and earned income in connection with the operation of the Town's utility system.

TOWN OF OBERLIN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Interest income is recorded as earned in the fund holding the interest-bearing asset.

Substantially all other revenues are recorded when received.

Operating Revenues and Expenses

In the proprietary funds, operating revenues are those revenues produced as a result of providing services and producing and delivering goods and/or services. Nonoperating revenues are funds primarily provided by investing activities, such as financial institution interest income, gains on disposal of assets and insurance recoveries on property loss. Operating expenses are those expenses related to the production of revenue. Nonoperating expenses are those expenses not directly related to the production of revenue and include items such as interest expense and losses on disposal of assets.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character
Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

F. Revenue Restrictions

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Sales tax	See Note 3
Water and sewer revenue	See Note 11

The Town uses unrestricted resources only when restricted resources are fully depleted.

TOWN OF OBERLIN, LOUISIANA

Notes to Basic Financial Statements (Continued)

G. Capitalization of Interest Expense

It is the policy of the Town of Oberlin to capitalize material amounts of interest resulting from borrowings in the course of the construction of capital assets. At June 30, 2019 there was no interest expense capitalized.

H. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

(2) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Town in September or October and are actually billed to taxpayers in November or December. Billed taxes become delinquent on January 1 of the following year. The Town bills and collects its own property taxes using the assessed values determined by the Tax Assessor of Allen Parish. Town property tax revenues are budgeted in the year billed.

For the year ended June 30, 2019, taxes of 3.80 mills were levied on property with assessed valuations totaling \$5,991,950 and were dedicated for general corporate purposes.

Total taxes levied were \$22,769. There was no ad valorem tax receivable at June 30, 2019.

(3) Dedication of Proceeds and Flow of Funds – 1978 and 1989 Sales and Use Tax

Proceeds of a 1 percent sales and use tax levied by the Town of Oberlin (2019 collections of \$145,568) are dedicated to the following purposes:

To be used for constructing, acquiring, extending, improving, operating and/or maintaining sewers and sewerage disposal works, waterworks, streets, recreational facilities and fire protection facilities and equipment, and purchasing and acquiring the necessary land, equipment and furnishing for any of the aforesaid public works, improvements and facilities, or for any one or more said purposes. The Town is authorized to fund the proceeds of the tax into bonds to be issued in series from time to time for the purpose of defraying the costs of constructing, improving, and/or acquiring any one or more of the aforesaid capital improvements to the extent and in the manner permitted by the laws of Louisiana.

TOWN OF OBERLIN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Proceeds of a 0.3 percent sales and use levied by the Town of Oberlin (2019 collections of \$45,969) are dedicated to the following purpose:

Seventy percent to be used for constructing, improving, maintaining and operating public street, sidewalks, and alleys, thirty percent to be used for acquiring, constructing, improving, maintaining and operating recreational facilities. The Town of Oberlin is authorized to fund the proceeds of the tax into bonds to be issued into series from time to time for any capital purpose described above, to the extent and in the manner provided by the laws of Louisiana.

(4) Cash and Interest-Bearing Deposits

Under state law, the Town may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Town may invest in direct obligations of the United States government, bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies and/or the United States government, and time certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At June 30, 2019, the Town had cash and interest-bearing deposits (book balances) totaling \$402,342 as follows:

Demand deposits	\$ 7,581
Money market and savings accounts	349,183
Time deposits	<u>45,578</u>
Total	<u>\$ 402,342</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Town's deposits may not be recovered, or the Town will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. Under state law, these deposits, (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties. The following is a summary of deposit balances (bank balances) at June 30, 2019, and the related federal insurance and pledged securities:

Bank balances	<u>\$ 496,080</u>
Insured	\$ 294,650
Uninsured and collateral held by pledging bank not in Town's name	<u>201,430</u>
Total	<u>\$ 496,080</u>

Deposits in the amount of \$201,430 were exposed to custodial credit risk. These deposits are uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the Town's name. The Town does not have a policy for custodial credit risk.

TOWN OF OBERLIN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(5) Receivables

Receivables at June 30, 2019 totaling \$144,970 consist of the following:

	<u>General</u>	<u>Sales Tax Funds</u>	<u>Utility</u>	<u>Total</u>
Accounts, net	\$ -	\$ -	\$ 99,967	\$ 99,967
Taxes:				
Franchise	15,787	-	-	15,787
Sales and use	-	29,216	-	29,216
Totals	<u>\$ 15,787</u>	<u>\$ 29,216</u>	<u>\$ 99,967</u>	<u>\$ 144,970</u>

(6) Due from Other Governmental Units

The amount due from other governmental units of \$84,542 consisted of the following at June 30, 2019:

Amount due from State of Louisiana for beer taxes earned for the fiscal year ending June 30, 2019	\$ 620
Amount due from the Coushatta Tribe of Louisiana for the Town's share of gaming revenues earned for the quarter ended June 2019	40,255
Amount due from the State of Louisiana Community Water Enrichment Fund grant	1,622
Amount due from the State of Louisiana Community Development Block Grant	42,045
	<u>\$ 84,542</u>

(7) Restricted Assets - Proprietary Fund Type

Restricted assets of \$224,602 consist of the following at June 30, 2019:

Revenue bond and interest sinking account	\$ 428
Revenue bond reserve account	76,631
Revenue bond contingency account and short-lived asset account	58,208
Construction account - water	100
Customer deposits - gas	11,348
Customer deposits - water and sewer	77,887
Total restricted assets	<u>\$ 224,602</u>

TOWN OF OBERLIN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(8) Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance 07/01/18	Additions	Deletions	Balance 06/30/19
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 193,812	\$ -	\$ -	\$ 193,812
Construction in progress	43,502	17,995	-	61,497
Other capital assets:				
Buildings	227,607	-	-	227,607
Infrastructure	935,585	-	-	935,585
Equipment, furniture and fixtures	342,740	2,498	-	345,238
Vehicles	158,114	-	-	158,114
Totals	<u>1,901,360</u>	<u>20,493</u>	<u>-</u>	<u>1,921,853</u>
Less accumulated depreciation				
Buildings	194,943	3,038	-	197,981
Infrastructure	553,407	25,165	-	578,572
Equipment, furniture and fixtures	305,778	17,311	-	323,089
Vehicles	153,455	1,300	-	154,755
Total accumulated depreciation	<u>1,207,583</u>	<u>46,814</u>	<u>-</u>	<u>1,254,397</u>
Governmental activities, capital assets, net	<u>\$ 693,777</u>	<u>\$ (26,321)</u>	<u>\$ -</u>	<u>\$ 667,456</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 9,835
Police	2,892
Highways and streets	<u>34,087</u>
Total depreciation expense	<u>\$ 46,814</u>

TOWN OF OBERLIN, LOUISIANA

Notes to Basic Financial Statements (Continued)

	Balance 07/01/18	Additions	Deletions	Balance 06/30/19
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 7,224	\$ -	\$ -	\$ 7,224
Construction in Progress	96,410	2,535,464	-	2,631,874
Other capital assets:				
Gas system	356,722	-	356,722	-
Water system	5,508,664	-	-	5,508,664
Sewer system	4,683,328	-	-	4,683,328
Equipment	248,396	-	13,953	234,443
Totals	<u>10,900,744</u>	<u>2,535,464</u>	<u>370,675</u>	<u>13,065,533</u>
Less accumulated depreciation				
Gas system	331,888	507	332,395	-
Water system	2,897,578	129,599	-	3,027,177
Sewer system	1,626,399	135,786	-	1,762,185
Equipment	155,081	23,345	11,362	167,064
Total accumulated depreciation	<u>5,010,946</u>	<u>289,237</u>	<u>343,757</u>	<u>4,956,426</u>
Business-type activities, capital assets, net	<u>\$ 5,889,798</u>	<u>\$ 2,246,227</u>	<u>\$ 26,918</u>	<u>\$ 8,109,107</u>

Depreciation expense was charged to business-type activities as follows:

Gas	\$ 574
Water	133,575
Sewer	155,088
Total depreciation expense	<u>\$ 289,237</u>

(9) Accounts and Other Payables

Accounts and other payables of \$129,903 consist of the following at June 30, 2019:

	Governmental Activities	Business-type Activities	Total
Accounts payable	\$ 57,453	\$ 56,400	\$ 113,853
Accrued liabilities	16,050	-	16,050
Totals	<u>\$ 73,503</u>	<u>\$ 56,400</u>	<u>\$ 129,903</u>

TOWN OF OBERLIN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(10) Bond Anticipation Notes

On February 13, 2019 the Town issued \$3,804,000 of Bond Anticipation Notes bearing interest at 1.75 – 3.50 percent. The proceeds of these notes will be used to pay a portion of the costs of constructing and acquiring improvements and replacement to the waterworks system of the Town. These bonds will mature on February 13, 2020 and be paid from the proceeds of \$3,804,000 Water Revenue Bonds, Series 2020.

(11) Changes in Long-term Debt

The following is a summary of long-term debt transactions of the Town for the year ended June 30, 2019:

	Balance 07/01/18	Additions	Deletions	Balance 06/30/19	Amount due in one year
Long-term debt:					
Revenue bonds	\$2,092,520	\$ -	\$ 44,607	\$2,047,913	\$ 46,634

Long-term debt payable at June 30, 2019 is comprised of the following individual issues:

Business-type activities:

Revenue bonds -

\$1,687,000 Sewer Revenue Bonds Series 2003 dated January 28, 2003; due in monthly installments of \$7,659 through January 28, 2043; interest at 4.5 percent, secured by Utility Fund revenues	\$1,331,710
\$280,000 Sewer Revenue bonds Series 2005 dated August 16, 2005; due in monthly installments of \$1,207 through July 28, 2045; interest at 4.125 percent, secured by Utility Fund revenues	230,128
\$435,000 Sewer Revenue bonds Series 2007 dated November 28, 2007; due in monthly installments of \$1,940 through November 28, 2047; interest at 4.375 percent, secured by Utility Fund revenues	377,862
\$125,000 Sewer Revenue bonds Series 2007 dated November 28, 2007; due in monthly installments of \$547 through November 28, 2047; interest at 4.25 percent, secured by Utility Fund revenues	108,213
Total	<u>\$2,047,913</u>

TOWN OF OBERLIN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Annual debt service requirements of bonds outstanding are as follows:

Year ending June 30,	Principal Payments	Interest Payments
2020	46,634	89,607
2021	48,739	87,502
2022	50,940	85,301
2023	53,240	83,001
2024	55,644	80,597
2025-2029	318,258	362,944
2030-2034	396,924	284,280
2035-2039	495,354	186,148
2040-2044	476,604	68,122
2045-2049	105,576	7,536
Totals	<u>\$ 2,047,913</u>	<u>\$ 1,335,038</u>

(12) Flow of Funds; Restrictions on Use – Utilities Revenues

Under the terms of the bond agreements on outstanding Sewer System revenue bonds dated January 28, 2003, August 16, 2005 and November 28, 2007, all revenues derived from operation of the Water and Sewer Utility System will be pledged and dedicated to the retirement of said bonds upon completion of the sewer projects and are to be set aside into the following funds:

On each bond issue, each month there will be set aside into a revenue bond and interest sinking fund account, an amount consisting of the monthly installment of principal and interest on the outstanding bonds. Such payments must be made on or before the 20th day of each month to assure the prompt payment of the principal and interest monthly installments and may be used only for such payments.

Commencing with the first month in which the sewer projects have been completed, 5% of the amount to be paid into the sinking fund account on the 20th of each month must be deposited into a reserve account until the sewer system reserve fund has a balance of \$136,241. In February 2043, the funds on deposit in the reserve fund may be reduced to \$44,333. In July 2047, the funds on deposit in the reserve fund may be reduced to \$29,851.

Also commencing on the first month in which the sewer projects have been completed, \$546 shall be deposited on the 20th of each month into a sewer depreciation and contingency fund until \$136,241 is on deposit in the reserve fund, then monthly deposits increase to \$1,136. In February 2043, the monthly deposit decreases to \$370 and in July 2047, the monthly deposit decreases to \$249.

Upon acceptance by the Town of Oberlin, Louisiana of the sewer projects, \$1,014 must be deposited into a short-lived assets depreciation fund on the 20th day of each month for a period of 15 years.

TOWN OF OBERLIN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(13) Pension Plan

Municipal Police Employees Retirement System of Louisiana (System)

The Town participates in a cost-sharing multiple-employer defined benefit pension plan, the Municipal Police Employees Retirement System of Louisiana (MPERS), administered by a separate public employee retirement system. Article X, Section 29(F) of the Louisiana Constitution of 1974 assigns the authority to establish and amend benefit provisions of the plan administered by this public employee retirement system to the State Legislature. The plan is not closed to new entrants. One employee of the Town participates in the system.

Plan Description – State of Louisiana – Municipal Police Employees’ Retirement System (MPERS) provides retirement, disability, and survivor benefits to municipal police officers in Louisiana and their beneficiaries as defined in LRS 11:2211-11:2233.

MPERS financial statements are prepared using the accrual basis of accounting. Employer and employee contributions are recognized in the period in which the employee is compensated for services performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Interest income is recognized when earned. Insurance premium tax monies are received as additional employer contributions and considered support from a non-contributing entity and appropriated by the legislature each year based on an actuarial study.

Benefits provided – Benefit rates are three and one-third percent of average final compensation (average monthly earnings during the highest 36 consecutive months or joined months if service was interrupted) per the number of years of creditable service not to exceed 100% of final salary. Years of service required and/or age eligible for benefits are as follows: 25 years at any age; 20 years at age 55; 12 years at age 55; 20 years at any age with actuarial reduced benefits; 30 years at any age under nonhazardous duty sub plan commencing January 1, 2013; 25 years at age 55 under nonhazardous duty sub plan commencing January 1, 2013; and 10 years at age 60 under nonhazardous duty sub plan commencing January 1, 2013. Benefit percentages per year of service are as follows: 2.5% for membership commencing January 1, 2013 nonhazardous duty plan; 3.0% for hazardous duty plan; and 3.33% for membership prior to January 1, 2013.

Contributions – Article X, Section 29(E)(2)(a) of the Louisiana Constitution of 1974 assigns the Legislature the authority to determine employee contributions. Employer contributions are actuarially determined using statutorily established methods on an annual basis and are constitutionally required to cover the employer’s portion of the normal cost and provide for the amortization of the unfunded accrued liability. Employer contributions are adopted by the Legislature annually upon recommendation of the Public Retirement Systems’ Actuarial Committee. In addition, MPERS receives insurance premium tax monies as additional employer contributions. These taxes are considered support from a noncontributing entity and appropriated by the Legislature each year based on an actuarial study. For the year ended June 30, 2019, the contribution percentages for employees and employers were 10.0% and 32.25%, respectively. The amounts contributed from non-employer contributing entities and from the Town for the year ended June 30, 2019 were \$3,115 and \$14,043, respectively.

TOWN OF OBERLIN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Net Pension Liability – The Town’s net pension liability at June 30, 2019 of \$133,439 is comprised of its proportionate share of the net pension liability relating to the cost-sharing plan. The Town’s net pension liability for the plan was measured as of the plan’s measurement date, June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town’s proportionate share of the net pension liability for the plan was based on the Town’s required contributions in proportion to total required contributions for all employers.

As of the most recent measurement date, the Town’s proportion for the plan was 0.015784% and the change in proportion from the prior measurement date was an increase of 0.003011%.

Since the measurement date of the pension liability was June 30, 2017, the net pension liability is based upon fiduciary net position for the plan as of that date. Detailed information about the plan’s assets, deferred outflows, deferred inflows, and fiduciary net position that was used in the measurement of the Town’s net pension liability is available in the separately issued plan financial report which may be accessed on their website at <http://lampers.org/>.

Actuarial Assumptions – The following table provides information concerning actuarial assumptions used in the determination of the total pension liability for MPERS:

Valuation Date	June 30, 2018									
Actuarial Cost Method	Entry Age Normal									
Actuarial Assumptions:										
Investment Rate of Return	7.20%, net of investment income									
Expected Remaining Service Lives	4 years									
Inflation Rate	2.60%									
Salary Increases, including inflation and merit	<table><tr><th>Years of Service</th><th>Salary Growth Rate</th></tr><tr><td>1-2</td><td>9.75%</td></tr><tr><td>3-23</td><td>4.75%</td></tr><tr><td>Over 23</td><td>4.25%</td></tr></table>	Years of Service	Salary Growth Rate	1-2	9.75%	3-23	4.75%	Over 23	4.25%	
Years of Service	Salary Growth Rate									
1-2	9.75%									
3-23	4.75%									
Over 23	4.25%									
Mortality	<p>RP-2000 Combined Health with Blue Collar Adjustment Sex Distinct Tables projected to 2029 by Scale AA (set back 1 year for females) for healthy annuitants and beneficiaries.</p> <p>RP-2000 Disabled Lives Table set back 5 years for males and set back 3 years for disabled annuitants.</p> <p>RP-2000 Employee Table set back 4 years for males and 3 years for females for active members.</p>									

TOWN OF OBERLIN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Cost-of-Living Adjustments The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost-of-living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

Cost of Living Adjustments – MPERS has the authority to grant cost-of-living adjustments (COLAs) on an ad hoc basis. Pursuant to LRS 11:242(B), the power of the Board of Trustees of the MPERS to grant a COLA is effective in calendar years that the legislature fails to grant a COLA, unless in the legislation granting a COLA, the legislature authorizes the Board of Trustees to provide an additional COLA. The authority to grant a COLA by the Board is subject to the funded status and interest earnings. The effects of the benefits changes made as a result of the COLAs is included in the measurement of the total pension liability as of the measurement date at which the ad hoc COLA was granted and the amount is known and reasonably estimable.

Discount Rate – The discount rate used to measure the Town’s total liability for MPERS plan, and the significant assumptions used in the determination of the discount rate was 7.20%, which was the same rate as the prior valuation. The plan member contributions will be made at the current contribution rate and sponsor contributions will be made at the actuarially determined rates.

The discount rates used to measure the Town’s total pension liability for the pension plan is equal to the long-term expected rate of return on pension plan investments that are expected to be used to finance the payment of benefits. For MPERS, the long-term expected rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and an adjustment for the effect of rebalancing/diversification.

The target allocation and best estimates of arithmetic/geometric real rates of return for each major asset class are summarized for MPERS in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Equity	52%	3.58%
Fixed Income	22%	0.46%
Alternative	20%	1.07%
Other	6%	0.17%
Totals	100%	5.28%
Inflation		<u>2.75%</u>
Expected Nominal Return		<u>8.03%</u>

TOWN OF OBERLIN, LOUISIANA

Notes to Basic Financial Statements (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension Plan – Changes in the net pension liability may either be reported in pension expense in the year the change occurred or recognized as a deferred outflow of resources or a deferred inflow of resources in the year the change occurred and amortized into pension expense over a number of years. For the year ended June 30, 2019, the Town recognized \$(5,257) in pension expense (benefit) related to its pension plan. The Town also recognized revenue in the amount of \$3,115 in insurance premium tax monies from non-employer contributing entities.

At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to its pension plan from the following sources:

	Governmental Activities	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 602	\$ 6,819
Changes of assumptions	8,720	-
Net difference between projected and actual earnings on pension plan investments	6,397	-
Change in proportion and differences between Employer contributions and proportionate share of contributions	18,033	14,381
Employer contributions subsequent to the measurement date	14,043	-
Total	<u>\$ 47,795</u>	<u>\$ 21,200</u>

Deferred outflows of resources of \$14,043 resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability during the year ending June 30, 2020. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions to be recognized in pension expense are as follows:

Fiscal Year Ended	
6/30/2020	\$ 2,657
6/30/2021	7,742
6/30/2022	1,919
6/30/2023	234

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Town's proportionate share of the net pension liability of the plan, calculated using the discount rate, as well as what the Town's proportionate share of the net pension liability would be if they were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

TOWN OF OBERLIN, LOUISIANA

Notes to Basic Financial Statements (Continued)

	1.0% Decrease 6.20%	Current Discount Rate 7.20%	1.0% Increase 8.20%
Employ's proportionate share of the net pension liability	\$ 187,519	\$ 133,439	\$ 88,068

(14) Interfund Transactions

- A. The Town of Oberlin, Louisiana had no interfund receivables or payables at June 30, 2019.
- B. Transfers consist of the following at June 30, 2019:

	Transfers In	Transfers Out
Major governmental funds:		
General Fund	\$ 917,716	\$ 458,404
Sales Tax Fund	-	224,242
Nonmajor governmental fund:		
Cemetery Fund	1	-
Major proprietary funds:		
Water Utility Fund	172,536	327,966
Sewer Utility Fund	8,875	35,008
Nonmajor proprietary funds:		
Gas Utility Fund	1,202	54,710
Total	<u>\$ 1,100,330</u>	<u>\$ 1,100,330</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the different funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

(15) Risk Management

The Town is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town maintains commercial insurance coverage for each of these risks of loss. Management believes coverage is sufficient to preclude any significant uninsured losses to the Town. There have been no significant reductions in the insurance during the year, nor have settlements exceeded coverage for the past three years.

TOWN OF OBERLIN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(16) On-behalf Payments for Salaries

The State of Louisiana paid the Town's policemen \$12,000 of supplemental pay during the year ended June 30, 2019. Such payments are recorded as intergovernmental revenues and public safety expenditures in the government-wide and General Fund financial statements.

(17) Pending Litigation

The Town is party to certain legal proceedings which normally occur in governmental operations. Although the outcome of these proceedings is not presently determinable, it is the opinion of the Town's attorney that the resolution of this matter will not have a material adverse effect on the financial condition of the Town.

(18) Related Party Transactions

During the normal course of operations, the Town conducts business with a lumber yard owned by Carl Wayne Smith, a member of the Board of Aldermen. The amount purchased by the Town for the year ended June 30, 2019 totaled \$9,339. It is the opinion of management that such transactions were on substantially the same terms as those prevailing at the time of comparable transactions with other persons and did not present any unfavorable features to the Town.

(19) Sale of Natural Gas Distribution System

On July 31, 2018 the Town entered into an asset purchase agreement with CenterPoint Energy Resources Corp., d/b/a CenterPoint Energy Entex and CenterPoint Energy Louisiana Gas for the sale of the Town's natural gas distribution system. The Town recognized a gain of \$10,230 as a result of this sale.

(20) Compensation, Benefits and Other Payments to Mayor

A detail of compensation, benefits, and other payments made to Mayor Joseph Manuel for the year ended June 30, 2019 follows:

<u>Purpose</u>		<u>Amount</u>
Salary		\$ 14,400

TOWN OF OBERLIN, LOUISIANA

Notes to Basic Financial Statements (Continued)

(21) Compensation of Town Officials

A detail of compensation paid to the Mayor and Board of Aldermen for the year ended June 30, 2019 follows:

Mayor:

Joseph Manuel	<u>\$ 14,400</u>
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Aldermen:

Tom Germany	1,800
Janice Simon	1,800
Corey Marcantel	1,800
Wayne Smith	3,600
Bobby Thomas	1,800
Johnathan Lewis	1,800
Romezly Willis, Jr.	1,800
Donald Taylor	<u>1,800</u>
Total compensation paid to Aldermen	<u>\$ 16,200</u>

**REQUIRED
SUPPLEMENTARY INFORMATION**

TOWN OF OBERLIN, LOUISIANA
General Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 99,750	\$ 100,028	\$ 100,270	\$ 242
Licenses and permits	55,000	55,096	73,251	18,155
Intergovernmental	205,700	156,492	183,758	27,266
Fines and forfeits	25,000	10,820	15,460	4,640
Miscellaneous	14,075	12,268	9,534	(2,734)
Total revenues	<u>399,525</u>	<u>334,704</u>	<u>382,273</u>	<u>47,569</u>
Expenditures:				
Current -				
General government	260,430	257,433	226,447	30,986
Public safety - police	393,200	424,898	356,715	68,183
Highways and streets	242,500	277,445	246,363	31,082
Capital outlay	-	-	20,493	(20,493)
Total expenditures	<u>896,130</u>	<u>959,776</u>	<u>850,018</u>	<u>109,758</u>
Deficiency of revenues over expenditures	<u>(496,605)</u>	<u>(625,072)</u>	<u>(467,745)</u>	<u>157,327</u>
Other financing sources (uses):				
Transfers in	639,000	856,649	917,716	61,067
Transfers out	<u>(60,000)</u>	<u>(56,711)</u>	<u>(458,404)</u>	<u>(401,693)</u>
Total other financing sources (uses)	<u>579,000</u>	<u>799,938</u>	<u>459,312</u>	<u>(340,626)</u>
Net change in fund balance	82,395	174,866	(8,433)	(183,299)
Fund balance, beginning	<u>66,583</u>	<u>66,583</u>	<u>66,583</u>	<u>-</u>
Fund balance, ending	<u>\$ 148,978</u>	<u>\$ 241,449</u>	<u>\$ 58,150</u>	<u>\$ (183,299)</u>

The accompanying notes are an integral part of this schedule.

TOWN OF OBERLIN, LOUISIANA
Sales Tax Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2019

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Sales tax revenue	\$ 182,000	\$ 187,268	\$ 191,537	\$ 4,269
Interest income	<u>90</u>	<u>110</u>	<u>108</u>	<u>(2)</u>
Total revenues	182,090	187,378	191,645	4,267
Expenditures:				
Current -				
General government:				
Collection fees	<u>4,000</u>	<u>4,000</u>	<u>4,391</u>	<u>(391)</u>
Excess of revenues over expenditures	178,090	183,378	187,254	3,876
Other financing uses:				
Transfers to general fund	<u>(195,000)</u>	<u>(164,000)</u>	<u>(224,242)</u>	<u>(60,242)</u>
Net change in fund balance	(16,910)	19,378	(36,988)	(56,366)
Fund balance, beginning	<u>128,125</u>	<u>128,125</u>	<u>128,125</u>	<u>-</u>
Fund balance, ending	<u>\$ 111,215</u>	<u>\$ 147,503</u>	<u>\$ 91,137</u>	<u>\$ (56,366)</u>

The accompanying notes are an integral part of this schedule.

TOWN OF OBERLIN, LOUISIANA
Municipal Police Employees' Retirement System

Schedule of Employer's Share of Net Pension Liability
For the Year Ended June 30, 2019

Year ended June 30,	Employer Proportion of the Net Pension Liability (Asset)	Employer Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.015784%	\$ 133,439	\$ 42,733	312.3%	71.89%
2018	0.012773%	111,514	41,693	267.5%	70.08%
2017	0.014142%	132,550	39,613	334.6%	66.04%
2016	0.018624%	145,900	55,726	261.8%	70.73%
2015	0.030105%	188,339	72,029	261.5%	75.10%

* The amounts presented have a measurement date of the previous fiscal year end.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The accompanying notes are an integral part of this schedule.

TOWN OF OBERLIN, LOUISIANA
Municipal Police Employees' Retirement System

Schedule of Employer Contributions
For the Year Ended June 30, 2019

Year ended June 30,	Contractually Required Contribution	Contributions in Relation to Contractual Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2019	\$ 14,061	\$ 14,043	18	\$ 43,600	32.21%
2018	13,140	13,247	(107)	42,733	31.00%
2017	13,238	13,237	1	41,693	31.75%
2016	11,686	11,686	-	39,613	29.50%
2015	17,554	17,554	-	55,726	31.50%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The accompanying notes are an integral part of this schedule.

TOWN OF OBERLIN, LOUISIANA

Notes to the Required Supplementary Information
Year Ended June 30, 2019

(1) Budget and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 15, the Town Clerk submits to the Mayor and Board of Aldermen a proposed operating budget for the fiscal year commencing the following July 1.
2. A summary of the proposed budget is published, and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of an ordinance prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended by the Board of Aldermen. Such amendments were not material in relation to the original appropriations.

(2) Pension Plan

Changes in benefit terms – There were no changes in benefit terms.

Changes in assumptions – Changes in assumptions about future economic or demographic factors or of other inputs were recognized in pension expense using the straight-line amortization method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the plan. These assumptions include the rate of investment return, mortality of plan members, rate of salary increase, rates of retirement, rates of termination, rates of disability, and various other factors that have an impact on the cost of the plan.

TOWN OF OBERLIN, LOUISIANA

Notes to the Required Supplementary Information (Continued)
Year Ended June 30, 2019

Amounts reported in the fiscal year ended June 30, 2019 for the pension plan reflect the following changes used to measure the total pension liability:

*					
Year ended	Discount	Investment	Inflation	Expected	Projected
June 30,	Rate	Rate	Rate	Remaining	Salary
		of Return		Service Lives	Increase
Municipal Police Employees' Retirement System of Louisiana:					
2019	7.20%	7.20%	2.60%	4	4.25-9.75%
2018	7.325%	7.325%	2.70%	4	4.25-9.75%
2017	7.50%	7.50%	2.875%	4	4.25-9.75%
2016	7.50%	7.50%	2.875%	4	4.25-9.75%
2015	7.50%	7.50%	3.00%	4	4.0-10.0%

* The amounts presented have a measurement date of the previous fiscal year end.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF OBERLIN, LOUISIANA
Enterprise Fund
Utility Fund

Schedule of Number of Utility Customers and Water and Sewer Rates
(Unaudited)
June 30, 2019

Records maintained by the Town of Oberlin, Louisiana indicated the following number of customers were being serviced during the month of June 2019:

	<u>Water</u>	<u>Sewer</u>
Residential	870	673
Commercial	84	74
Other	<u>6</u>	<u>6</u>
Total	<u>960</u>	<u>753</u>

The residential and commercial sewer and water rates for of the Town are as follows:

Sewer:

\$17.00 per month for the first 2,000 gallons, then
\$ 4.50 per 1,000 gallons or part thereof over 1,000 gallons

Water:

\$18.00 per month for the first 2,000 gallons, then
\$ 4.50 per 1,000 gallons or part thereof over 1,000 gallons

Penalty for paying water or sewer bill after due date:
Additional ten percent (10%) of total water or sewer charge

TOWN OF OBERLIN, LOUISIANA
Enterprise Fund
Utility Fund

Schedule of Aged Accounts Receivable
(Unaudited)
June 30, 2019

The aging of accounts receivable is as follows:

	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Current	\$ -	\$38,437	\$30,401	\$68,838
31 - 60 days	-	191	93	284
Over 60 days	-	9	101	110
Total	<u>\$ -</u>	<u>\$38,637</u>	<u>\$30,595</u>	<u>\$69,232</u>

TOWN OF OBERLIN, LOUISIANA
Enterprise Fund
Utility Fund

Schedule of Insurance in Force
(Unaudited)
June 30, 2019

Coverage Provided For	Limits of Coverage (in dollars)	Description of Limits	Expiration Date
Workmen's Compensation:			
Employer's liability - Accident	\$ 100,000	Bodily injury by accident each accident	01/01/20
Employer's liability - Disease	\$ 500,000	Bodily injury by disease policy limit	01/01/20
Employer's liability - Disease	\$ 100,000	Bodily injury by disease each employee	01/01/20
Government Crime Policy:			
Employee Theft	\$ 380,000	Blanket	09/25/19
Surety Bonds:			
Chief of Police	\$ 10,000	Each occurrence	07/02/20
Administrative Clerk	\$ 330,000	Each occurrence	03/19/20
Utility Clerk	\$ 660,000	Each occurrence	03/19/20
Mayor	\$ 660,000	Each occurrence	06/05/20
Alderman at Large	\$ 165,000	Each occurrence	06/05/20
Utility Clerk	\$ 75,000	Each occurrence	06/05/20
Errors and Omissions:	\$ 500,000		08/01/19
Automobile Liability:			
Bodily Injury and Property Damage	\$ 500,000	Owned Automobiles Hired and Non-Owned Automobiles	08/01/19
Commercial General liability:			
Bodily Injury and Property Damage			
Premises Operations	\$ 500,000	Per occurrence	08/01/19
Products Completed Operations	\$ 500,000	Aggregate	08/01/19
	\$ 1,000	Medical payments per person	08/01/19
	\$ 10,000	Medical payments per accident	08/01/19
	\$ 500,000	Fire Legal Liability per occurrence	08/01/19
Law Enforcement Officer:			
Personal Injury and Property Damage	\$ 500,000		08/01/19
Commercial:			
Building - Personal Property	\$ 350,000	Per Occurrence/Per Location/Per Building	03/18/20
Contents	\$ 150,000		03/18/20
Commercial Inland Marine	\$ 74,500	Per occurrence	03/15/20

TOWN OF OBERLIN, LOUISIANA

Comparative Statements of Net Position
Proprietary Fund - Water Enterprise Fund
June 30, 2019

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and interest bearing deposits	\$ 14,803	\$ 2,646
Receivables -		
Accounts	56,598	59,684
Grant	<u>1,622</u>	<u>1,494</u>
Total current assets	<u>73,023</u>	<u>63,824</u>
Noncurrent assets:		
Restricted assets -		
Interest-bearing deposits	77,987	79,533
Cash with paying agent	<u>2,530,522</u>	<u>-</u>
Total restricted assets	<u>2,608,509</u>	<u>79,533</u>
Capital assets, net of accumulated depreciation	<u>4,458,755</u>	<u>2,627,860</u>
Total noncurrent assets	<u>7,067,264</u>	<u>2,707,393</u>
Total assets	<u>7,140,287</u>	<u>2,771,217</u>
LIABILITIES		
Current liabilities (payable from current assets):		
Accounts and other payables	10,546	7,853
Accrued interest payable	40,274	-
Contracts payable	580,477	-
Retainage payable	79,505	-
Accrued compensated absences	<u>4,508</u>	<u>1,894</u>
Total	<u>715,310</u>	<u>9,747</u>
Current liabilities (payable from restricted assets):		
Customers' deposits	77,808	79,533
Bond anticipation notes	<u>3,804,000</u>	<u>-</u>
Total	<u>3,881,808</u>	<u>79,533</u>
Total liabilities	<u>4,597,118</u>	<u>89,280</u>
NET POSITION		
Net investment in capital assets	3,145,003	2,627,860
Unrestricted	<u>(601,834)</u>	<u>54,077</u>
Total net position	<u>\$ 2,543,169</u>	<u>\$ 2,681,937</u>

TOWN OF OBERLIN, LOUISIANA

Comparative Statements of Net Position
Proprietary Fund - Sewer Enterprise Fund
June 30, 2019

	<u>2019</u>	<u>2018</u>
ASSETS		
Current assets:		
Cash and interest bearing deposits	\$ 5,714	\$ 3,099
Receivables -		
Accounts	43,369	44,712
Grant	<u>42,045</u>	<u>1,010</u>
Total current assets	<u>91,128</u>	<u>48,821</u>
Noncurrent assets:		
Restricted assets -		
Interest-bearing deposits	135,267	100,742
Capital assets, net of accumulated depreciation	<u>3,650,352</u>	<u>3,234,446</u>
Total noncurrent assets	<u>3,785,619</u>	<u>3,335,188</u>
Total assets	<u>3,876,747</u>	<u>3,384,009</u>
LIABILITIES		
Current liabilities (payable from current assets):		
Accounts and other payables	42,594	12,198
Accrued interest payable	496	771
Retainage payable	<u>28,045</u>	<u>-</u>
Total	71,135	12,969
Current liabilities (payable from restricted assets):		
Revenue bonds payable	<u>46,634</u>	<u>44,619</u>
Total current liabilities	117,769	57,588
Noncurrent liabilities:		
Revenue bonds payable	<u>2,001,279</u>	<u>2,047,901</u>
Total liabilities	<u>2,119,048</u>	<u>2,105,489</u>
NET POSITION		
Net investment in capital assets	1,737,210	1,241,897
Unrestricted	<u>20,489</u>	<u>36,623</u>
Total net position	<u>\$ 1,757,699</u>	<u>\$ 1,278,520</u>

**INTERNAL CONTROL, COMPLIANCE,
AND
OTHER MATTERS**

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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The Honorable Joseph Manuel, Mayor
and members of the Board of Aldermen
Town of Oberlin, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Oberlin, Louisiana, (the Town) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 30, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, 2019-005, and 2019-006 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-003, 2019-004, 2019-007, and 2019-008 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed four instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2019-009, 2019-010, 2019-011, and 2019-012.

Town of Oberlin, Louisiana's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Although the intended use of this report may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Oberlin, Louisiana
December 30, 2019

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Honorable Joseph Manuel, Mayor,
and Members of the Board of Aldermen
Town of Oberlin, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the Town of Oberlin, Louisiana's (Town) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2019. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Oberlin, Louisiana complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose; however, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Oberlin, Louisiana
December 30, 2019

TOWN OF OBERLIN, LOUISIANA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor / Pass-Through Grantor / Program Name	Federal CFDA Number	Expenditures
<u>U.S. Department of Agriculture</u>		
Water and Waste Disposal Systems for Rural Communities	10.760	\$ 1,933,460
<u>U.S. Department of Housing and Urban Development</u>		
Passed-through State of Louisiana Office of Community Development: Community Development Block Grants	14.228	<u>602,004</u>
Total Federal Awards Expended		<u>\$ 2,535,464</u>

The accompanying notes are an integral part of this schedule.

TOWN OF OBERLIN, LOUISIANA

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

(1) Basis of Accounting

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Town of Oberlin, Louisiana under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Town of Oberlin, Louisiana, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Oberlin, Louisiana.

(2) Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Town of Oberlin, Louisiana has not elected to use the 10 percent *de minimus* indirect cost rate as allowed under the Uniform Guidance.

(3) Outstanding Loan

The Town of Oberlin had a \$3,804,000 loan under the Community Facilities Loan and Grant Program. Expenditures paid from loan proceeds during the year included in federal expenditures totaled \$1,933,460.

(4) Relationship to Fund Financial Statements

Federal financial assistance expenditures are reported in the Town of Oberlin, Louisiana's fund financial statements as follows:

From federal sources:

Proprietary Fund Type -

Water Fund	1,933,460
Sewer Fund	<u>602,004</u>

Total federal expenditures reported in the Schedule of Expenditures of Federal Awards	<u>\$2,535,464</u>
--	--------------------

TOWN OF OBERLIN, LOUISIANA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

Part I. Summary of Auditors' Results:

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Town of Oberlin, Louisiana were prepared in accordance with GAAP.
2. Eight deficiencies in internal control were disclosed by the audit of the financial statements. Four of these deficiencies were considered to be material weaknesses and four were considered to be significant deficiencies.
3. There were four instances of noncompliance material to the financial statements which would be required to be reported in accordance with *Government Auditing Standards*.
4. There were no significant deficiencies or material weaknesses in internal control over the major federal award program disclosed.
5. The auditor's report on compliance for the major federal award program expresses an unmodified opinion on all major federal programs.
6. The audit disclosed no findings required to be reported in accordance with the Uniform Guidance.
7. The major program was:
U.S. Department of Agriculture – CFDA #10.760 Water and Waste Disposal Systems for Rural Communities.
8. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
9. The Town of Oberlin, Louisiana did not qualify to be a low-risk auditee.

Part II. Findings which are required to be reported in accordance with generally accepted Governmental Auditing Standards:

A. Internal Control over Financial Reporting –

2019-001 Inadequate Segregation of Duties

Fiscal year finding initially occurred: Unknown

CONDITION: The Town did not have adequate segregation of functions within the accounting system.

TOWN OF OBERLIN, LOUISIANA

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019

CRITERIA: AU-C§315.04, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, defines internal control as follows:

“Internal control is a process, affected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.”

CAUSE: The cause of the condition is the fact that the Town does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

EFFECT: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

RECOMMENDATION: Management should evaluate the cost vs. benefit of complete segregation and whenever possible, reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) record keeping; and (4) reconciliation.

MANAGEMENT’S CORRECTIVE ACTION PLAN: The Town has determined that it is not cost effective to achieve complete segregation of duties within the accounting department.

2019-002 Application of Generally Accepted Accounting Principles (GAAP)

Fiscal year finding initially occurred: 2007

CONDITION: The Town does not have adequate internal controls over recording the entity’s financial transactions or preparing its financial statements, including the related notes in accordance with generally accepted accounting principles (GAAP).

CRITERIA: AU-C§265.A37 identifies the following as a deficiency in the design of (internal) controls:

“... in an entity that prepares financial statements in accordance with generally accepted accounting principles, the person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles in recording the entity’s financial transactions or preparing its financial statements.”

CAUSE: The cause of the condition is the result of a failure to design or implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Financial statements and related supporting transactions may reflect a material departure from generally accepted accounting principles.

TOWN OF OBERLIN, LOUISIANA

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019

RECOMMENDATION: Management should evaluate the additional costs required to achieve the desired benefit and determine if it is economically feasible in relation to the benefit received.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Town has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interest of the Town to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

2019-003 Cut-off Policy

Fiscal year finding initially occurred: 2009

CONDITION: During a test of utility accounts of the Town's customers, it was noted that some accounts are not being paid in full or timely, and the customers, including employees and town officials, continue to receive service in violation of Ordinance No. 02-11-2013. Payment plans and extensions granted by the Mayor are not in accordance with the payment plan provisions of Ordinance No. 02-11-2013.

CRITERIA: Ordinance No. 02-11-2013 states that utility customers must pay by the 15th of each month. A 10% penalty is added to accounts not paid by the 15th of each month. All accounts delinquent on the 26th of each month will be cut off. The ordinance also provides for payment plans to be granted at the discretion of the Mayor that consist of paying ½ of the bill up front and the remaining balance within 6 months.

CAUSE: The Town has not properly followed its written policies and procedures regarding past due accounts and the proper cut-off procedures to disconnect services relating to nonpayment by customers.

EFFECT: Failure to follow written policies and procedures increases the risk of not having continuity of operations and the risk of long outstanding collections of utilities.

RECOMMENDATION: Management should consistently comply with its written policies and procedures in the future and cut off utility services of customers, including employees and town officials, who do not pay within the time limit stated in the Ordinance.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Town will adhere to the cut-off policy established by Ordinance No. 02-11-2013 in the future.

2019-004 Late Payment of Invoices

Fiscal year finding initially occurred: 2017

CONDITION: During the year, the Town paid several invoices after the due date resulting in late fees being assessed.

TOWN OF OBERLIN, LOUISIANA

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019

CRITERIA: Sound business practices require that obligations be paid timely and when due.

CAUSE: The cause of the condition is the result of payments being withheld due to cash flow constraints.

EFFECT: The failure to pay vendors timely could lead to late fees being assessed and increases the risk that vendors will cease doing business with the Town.

RECOMMENDATION: It is recommended that the Town process and pay invoices timely and by the due date to ensure no late fees will be assessed.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Town will closely monitor all invoices received and disburse funds timely to avoid any late fees.

2019-005 Reconciliation of Accounts Receivable

Fiscal year finding initially occurred: 2017

CONDITION: The accounts receivable balance in the general ledger is not reconciled monthly with the detailed accounts receivable customer listing.

CRITERIA: Not reconciling the detailed accounts receivable customer listing to the balance in the general ledger on a monthly basis is a fraud risk factor.

CAUSE: The cause of the condition is the result of a failure to design or implement policies and procedures to achieve adequate internal control.

EFFECT: Errors or irregularities could be made in the recording of deposits, billings, payments, adjustments, or voided receipts without being detected in a timely manner.

RECOMMENDATION: It is recommended that the Town implement procedures to ensure the accounts receivable balance in the general ledger is reconciled monthly with the detailed accounts receivable customer listing.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Town will establish policies and procedures to ensure the accounts receivable balance in the general ledger is reconciled monthly with the detailed accounts receivable customer listing.

2019-006 Reconciliation of Customer Meter Deposits

Fiscal year finding initially occurred: 2019

CONDITION: The Town does not have complete and accurate records for customer meter deposits, and the meter deposit bank account balances are not reconciled monthly with a detailed listing of customers' meter deposits.

TOWN OF OBERLIN, LOUISIANA

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019

CRITERIA: Not reconciling the meter deposit bank account balances to a detailed listing of customers' meter deposits is a fraud risk factor. A detailed listing of customers' meter deposits should be reconciled monthly to the related general ledger bank account balances and customer deposit liability.

CAUSE: The cause of the condition is the result of a failure to design or implement policies and procedures to achieve adequate internal control.

EFFECT: Errors or irregularities could be made in the recording of deposits and refunds without being detected in a timely manner.

RECOMMENDATION: It is recommended that the Town implement procedures to ensure that an accurate listing of customer meter deposits is maintained and reconciled monthly to the meter deposit bank accounts and deposit liability.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Town will establish policies and procedures to ensure that an accurate listing of customer meter deposits is maintained and reconciled monthly to the meter deposit bank accounts and deposit liability.

2019-007 Late Payment of Sales Tax Collections

Fiscal year finding initially occurred: 2019

CONDITION: During the year, the Town was assessed penalties and interest for the late payment of sales taxes.

CRITERIA: Sound business practices require that obligations be paid timely and when due.

CAUSE: The cause of the condition is the result of a failure to design or implement policies and procedures necessary to achieve adequate internal control.

EFFECT: The failure remit sales tax collections timely increases the risk that penalties and interest will be assessed to the Town.

RECOMMENDATION: It is recommended that the Town prepare sales tax returns and remit related sales tax collections on a timely basis.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Town will prepare sales tax returns and remit related sales tax collections on a timely basis.

TOWN OF OBERLIN, LOUISIANA

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019

2019-008 Delinquent Tax and License Payments

Fiscal year finding initially occurred: 2019

CONDITION: During a test of ad valorem tax and occupational license payments received by the Town, it was noted that some accounts are not being paid timely, and the payees, including town officials, are not being assessed penalties for late payment.

CRITERIA: Sound business practices require that penalties be assessed when obligations are not paid when due.

CAUSE: The cause of the condition is the result of a failure to design or implement policies and procedures necessary to achieve adequate internal control.

EFFECT: Failure to assess penalties for delinquent occupational license payments and delinquent ad valorem tax payments increases the risk of nonpayment by taxpayers and business owners.

RECOMMENDATION: Management should implement policies and procedures to ensure penalties are assessed for all delinquent tax and occupational license payments received.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Town will implement policies and procedures to ensure penalties are assessed for all delinquent tax and occupational license payments received.

B. Compliance –

2019-009 Noncompliance with Bond Agreement

Fiscal year finding initially occurred: 2016

CONDITION: The Town violated its bond agreement with USDA by not having the proper amount on deposit in its bond reserve account at June 30, 2019. The Town also did not comply with the sinking, reserve, contingency, and short-lived assets depreciation fund deposit requirements for the Series 2003 Sewer Revenue Bonds. The required transfers were not made in full to these accounts for the fiscal year ended June 30, 2019.

CRITERIA: The Series 2003 Sewer Revenue Bond agreement requires that amounts be transferred monthly into separate sinking fund, reserve fund, contingency fund, and short-lived assets depreciation fund accounts.

CAUSE: Required transfers were not made each month due to staff turnover during the year.

EFFECT: The Town was in violation of the Series 2003 Sewer Revenue Bond requirements.

TOWN OF OBERLIN, LOUISIANA

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019

RECOMMENDATION: It is recommended that the Town fully comply with the sinking, reserve, contingency, and short-lived assets depreciation fund deposit requirements by making transfers monthly as required by the bond covenant.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Town has entered into a five-year agreement with USDA that will allow for catch-up contributions to the reserve account. The Town will also implement procedures to ensure the required transfers are made monthly to the sinking, reserve, contingency, and short-lived assets depreciation fund accounts.

2019-010 Noncompliance with Budget Act

Fiscal year finding initially occurred: 2019

CONDITION: The Town did not comply with the provisions of LSA-RS 39:1311(A)(1)&(2) with respect to the Sales Tax Special Revenue Fund. Total expenditures exceeded budgeted expenditures in the Sales Tax Special Revenue Fund by 9.78% or \$391.

CRITERIA: LSA-RS 39:1311(A)(1)&(2) states that when total actual revenues and other sources or expenditures and other uses plus projected revenues and other sources or expenditures and other uses for the remainder of the year are failing to meet or exceeding the total budgeted amounts by five percent or more, the budget must be amended.

CAUSE: The Town failed to properly monitor the expenditures of the Sales Tax Special Revenue Fund.

EFFECT: The Town may not prevent and/or detect compliance violations due to revenue shortfalls or over expenditures of the appropriated budget, and /or errors or irregularities on a timely basis.

RECOMMENDATION: The Town should periodically compare actual activity to budgeted amounts and adopt budgetary amendments as necessary to ensure compliance with state statutes.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Town will monitor financial activity and make budget amended in accordance with LSA-RS 39:1311(A)(1)&(2).

2019-011 Noncompliance with Budget Act – Public Participation

Fiscal year finding initially occurred: 2019

CONDITION: The Town did not comply with the provisions of LSA-RS 39:1306-1307. The notice of the budget being available for public inspection for the proposed fiscal year 2019 operating budget was published nine (9) days before the beginning of the fiscal year instead of the prescribed 15 days, and the public hearing for the proposed fiscal year 2019 operating budget was published eight (8) days prior to the public hearing instead of the prescribed 10 days. The notice of the public hearing for the proposed fiscal year 2019 amended budget was published one (1) day prior to the public hearing instead of the prescribed 10 days.

TOWN OF OBERLIN, LOUISIANA

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019

CRITERIA: LSA-RS 39:1306-1307 requires that the proposed budget be made available for public inspections not later than 15 days prior to the beginning of each fiscal year, that notice of a public hearing be given at least 10 days prior to the public hearing and may be published in the same advertisement as the availability of the proposed budget.

CAUSE: The Town did not timely publish a notice of when a public hearing on the budget would take place.

EFFECT: Members of the public were not provided information regarding a public hearing on adoption of the budget in a timely manner.

RECOMMENDATION: The Town should comply with the provisions of LSA RS 39:1306-1307 and publish all required notices in accordance with state law.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Town will implement policies and procedures to ensure that the proposed budget be made available for public inspection not later than 15 days prior to the beginning of each fiscal year and all required notices are published within the prescribed time frame.

2019-012 Failure to Publish Adopted Budget

Fiscal year finding initially occurred: 2019

CONDITION: The Town did not publish the adopted fiscal 2019 operating budget in the official journal within twenty (20) days from adoption as required by LSA RS 43:144. Notice of the adoption of the fiscal year 2019 operating budget was published sixty-two (62) days after adoption.

CRITERIA: LSA-RS 43:144 requires that official proceedings including minutes, ordinances, resolutions, budgets, and proceeding be furnished to the official journal for publication within twenty days from the date of any meeting at which the official proceedings were had.

CAUSE: The Town did not timely publish a notice of the adoption of the fiscal year 2019 operating budget and the fiscal year 2019 amended budget.

EFFECT: Members of the public were not provided information regarding the adopted budget in a timely manner.

RECOMMENDATION: The Town should comply with the provisions of LSA RS 43:144 and publish all required notices in accordance with state law.

MANAGEMENT'S CORRECTIVE ACTION PLAN: The Town will implement policies and procedures to ensure that the notices of official proceedings are published within the prescribed time frame.

TOWN OF OBERLIN, LOUISIANA

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2019

C. Management Letter –

A management letter was issued related to the operating loss in the Sewer Utility Fund.

Part III. Findings and questioned costs relating to Federal Programs:

There were no significant deficiencies or instances of material noncompliance noted during the audit.

TOWN OF OBERLIN, LOUISIANA

Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2019

Part I. Findings which are required to be reported in accordance with Government Auditing Standards

A. Internal Control over Financial Reporting

2018-001 Inadequate Segregation of Duties

CONDITION: The Town did not have adequate segregation of functions within the accounting system.

RECOMMENDATION: Management should reassign incompatible duties among different employees to ensure that a single employee does not have control of more than one of the following responsibilities: (1) authorization; (2) custody; (3) recordkeeping; and (4) reconciliation.

CURRENT STATUS: Unresolved. See item 2019-001.

2018-002 Application of Generally Accepted Accounting Principles (GAAP)

CONDITION: The Town did not have a person with qualifications to prepare GAAP basis financial statements.

RECOMMENDATION: It is recommended that the Town prepare financial statements that are prepared in accordance with GAAP.

CURRENT STATUS: Unresolved. See item 2019-002.

2018-003 Cut-off Policy

CONDITION: The Town did not adhere to its cutoff policy for delinquent utility customers violating Ordinance No. 02-11-2013.

RECOMMENDATION: It is recommended that the Town implement procedures to ensure that the cutoff policy is followed and that aggressive collection attempts be made to collect all past due accounts.

CURRENT STATUS: Unresolved. See item 2019-003.

2018-004 Personnel Files

CONDITION: The Town did not have consistent and adequate payroll recordkeeping.

RECOMMENDATION: It is recommended that the Town ensure all required documents are included in employee personnel files.

CURRENT STATUS: Resolved.

TOWN OF OBERLIN, LOUISIANA

Schedule of Prior Year Findings and Questioned Costs (Continued)
Year Ended June 30, 2019

2018-005 Late Payments of Invoices

CONDITION: The Town paid several invoices after the due date resulting in late fees being assessed.

RECOMMENDATION: It is recommended that the Town closely monitor invoices to ensure that no late fees are being assessed.

CURRENT STATUS: Unresolved. See item 2019-004.

2018-006 Reconciliation of Accounts Receivable

CONDITION: The accounts receivable general ledger balance is not being compared to the accounts receivable subsidiary balance.

RECOMMENDATION: It is recommended that the accounts receivable general ledger balance be compared to the accounts receivable subsidiary balance at the end of each month.

CURRENT STATUS: Unresolved. See item 2019-005.

B. Compliance –

2018-007 Noncompliance with Bond Agreement

CONDITION: The Town violated its bond agreement with USDA by not having the proper amount on deposit in its bond reserve account.

RECOMMENDATION: It is recommended that the Town make the appropriate transfers to its bond reserve account as set forth in the bond indentures.

CURRENT STATUS: Unresolved. See item 2019-009.

Part III. Findings and questioned costs relating to Federal Programs:

There are no findings to be reported under this section.

KOLDER, SLAVEN & COMPANY, LLC

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MANAGEMENT LETTER

The Honorable Joseph Manuel, Mayor
and Members of the Board of Aldermen
Town of Oberlin, Louisiana

We have completed our audit of the basic financial statements of the Town of Oberlin, Louisiana for the year ended June 30, 2019, and submit the following recommendation for your consideration:

The Sewer Utility Fund experienced an operating loss during the current year of \$4,449. The Town should evaluate operations to determine methods to increase revenues and/or reduce expenses in order to operate at a surplus.

In conclusion, we express our appreciation to you and your staff, particularly to your office staff, for the courtesies and assistance rendered to us during the performance of our audit. Should you have any questions or need assistance in implementing our recommendations, please feel free to contact us.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Oberlin, Louisiana
December 30, 2019

TOWN OF OBERLIN, LOUISIANA

Statewide Agreed-Upon Procedures Report

Year Ended June 30, 2019

KOLDER, SLAVEN & COMPANY, LLC

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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To the Honorable Joseph Manuel,
Mayor, Members of the Board
of Aldermen, Town of Oberlin, and
the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Town of Oberlin (Town) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2018 through June 30, 2019. The Town's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

- a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget

Written policies and procedures were obtained and do not address the functions noted above.

- b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Written policies and procedures were obtained and do not address the functions noted above.

- c) **Disbursements**, including processing, reviewing, and approving

Written policies and procedures were obtained and do not address the functions noted above.

- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections

for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Written policies and procedures were obtained and do not address the functions noted above.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Written policies and procedures were obtained and address the functions noted above.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

Written policies and procedures were obtained and do not address the functions noted above.

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

Written policies and procedures were obtained and do not address the functions noted above.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

Written policies and procedures were obtained and address the functions noted above.

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Written policies and procedures were obtained and do not address the functions noted above.

- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Written policies and procedures were obtained and do not address the functions noted above.

- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Written policies and procedures were obtained and do not address the functions noted above.

Board or Finance Committee

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Obtained and reviewed minutes of the managing board for the fiscal period noting that the board met monthly, except for the month of December 2018 in which there was no quorum.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special

revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Minutes made no reference to monthly budget-to-actual comparisons.

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

Obtained prior year audit report noting a positive balance in the unrestricted fund balance in the general fund.

Bank Reconciliations

(The following procedures are not applicable because there were no exceptions noted in year 2.)

- 3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Collections (excluding EFTs)

(The following procedures are not applicable because there were no exceptions noted in year 2.)

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).
- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
 - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
 - a) Observe that receipts are sequentially pre-numbered.
 - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c) Trace the deposit slip total to the actual deposit per the bank statement.
 - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e) Trace the actual deposit per the bank statement to the general ledger.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).
Obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete.
9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
 - a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
There are not at least two employees involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
 - b) At least two employees are involved in processing and approving payments to vendors.
There are not at least two employees involved in processing and approving payments to vendors.
 - c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
Written policies and procedures were obtained and do not address the functions noted above.
 - d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

The same employee that is responsible for signing the checks is also responsible for performing the mail drop off.

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.

Observed that four of five disbursements matched the related original invoices/billing statements. One of five invoices were not available for observation.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

No documentation including evidence of segregation of duties noted.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

(The following procedures are not applicable, because management asserted that the Town does not have any credit cards/debit cards/fuel cards/p-cards.)

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
 - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]
 - b) Observe that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

(The following procedures are not applicable, because there were no exceptions noted in year 1.)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

(The following procedures are not applicable, because there were no exceptions noted in year 1.)

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Payroll and Personnel

(The following procedures are not applicable, because there were no exceptions noted in year 2.)

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.
 - c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Ethics

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

Obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly selected 5 employees/officials.

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

One of the five employees/officials selected did not have one hour of ethics training during the fiscal period.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

The entity does not have an ethic's policy.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Obtained a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. Observed that State Bond Commission approval was obtained for each bond/note issued.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

Debt reserves were not maintained for the Town's debt with USDA. There is an agreement in place to make the necessary payments to bring the balance to the required amount.

Other

(The following procedures are not applicable, because there were no exceptions noted in year 1.)

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Management's Response:

Management of the Town of Oberlin concurs with the exceptions and are working to address the deficiencies identified.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Kolder, Slaven & Company, LLC
Certified Public Accountants

Oberlin, Louisiana
December 30, 2019